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# Strengthening Governance of Social Safety Nets in East Asia

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August 2011

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## Abstract

Several East Asian countries, in the aftermath of the global financial crisis, are considering an expansion of their social safety net programs. In many cases, existing delivery mechanisms for social assistance in the region tend to be basic, in line with the small size of programs. In a context of coverage expansion and proliferation of new programs, the risk of creating increasingly complex systems characterized by cross-incentives is high. Lack of coordination, ambiguous criteria for identifying and selecting beneficiaries, low administrative capacity, lack of transparency and limited beneficiary participation pose risks for program effectiveness and can decrease accountability. Good governance can improve program outcomes through effective program coordination, stronger accountability arrangements, provider incentives and greater transparency and participation. This paper proposes an analytical framework to systematically identify governance risks and constraints which, if removed, could improve the outcomes of modern social assistance programs.

**JEL Classification:** I38 - Government Policy; Provision and Effects of Welfare Programs; H53 - Government Expenditures and Welfare Programs

**Keywords:** Social safety nets, cash transfers, public works, social protection, governance, accountability

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## I. Introduction

### *1.1 Scope and objective*

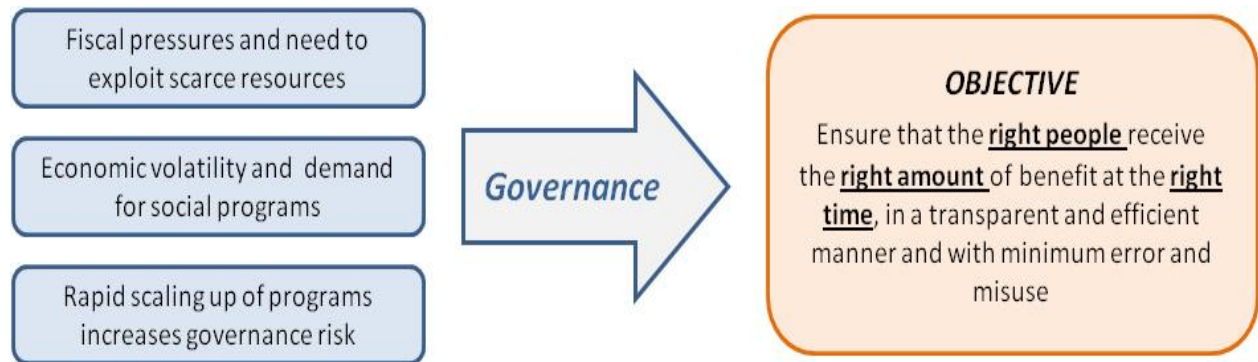
The ASEAN region<sup>1</sup> in recent years has seen a major expansion in Social Safety Net (SSN) programs. Prior to 1997, ASEAN governments generally played the role of regulator rather than provider of SSN. Programs were typically limited to public insurance schemes in the form of retirement and health benefits and provided only to a limited segment of the population. The 1997 East Asian financial crisis was a catalyst for change in social safety net provisions; it gave new urgency to the development of safety nets, and a number of wide-reaching programs with broader social mandates were implemented under post-crisis interventions, but momentum was at least partially lost as economies quickly started recovering.

The recent food, fuel and financial crises have resulted in increased pressures on existing social safety net structures and expenditures in a number of ASEAN countries. The economic downturn that followed increased the likelihood of greater numbers living in extreme poverty, as well as the financial pressures on developing country governments (Fiszbein, Schady et al. 2009). Economic stress has exacerbated demand for social programs as well as the need to exploit scarce public resources to the fullest. Ensuring that programs achieve results is essential for their sustainability, and thus the quality of service delivery must become a priority. In the case of SSN and cash transfers in particular, this translates into **making sure that the right people receive the right amount of benefit at the right time, in a transparent and efficient manner and with minimum error and misuse**. There is evidence that in several SSN programs in the region coverage is limited, targeting can be improved, and many programs suffer from significant leakages.

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<sup>1</sup> This work was made possible thanks to support from AusAID for research on ASEAN countries with the objective of improving the ability of ASEAN member states to develop more effective and sustainable social protection interventions with greater regional coherence. This focus on ASEAN countries is particularly relevant in the context of the increasing regional integration and aims to strengthen and build upon existing channels for knowledge sharing and cooperation among member states.

**Figure 1.**



From a governance perspective, problems include: coordination issues between agencies and decentralized levels of government in the overall social protection system; unclear institutional responsibilities that translate into diffusion of responsibilities, ambiguous and non transparent “rules of the game” that increase opportunities for discretion, conflicting systems of accountability, lack of voice, low implementation capacity and inadequate monitoring and evaluation and grievance redress systems among others. Addressing these governance challenges would lead to a more effective use of scarce resources and reduce unwanted outcomes such as poor targeting, limited coverage, and prevalence of error fraud and corruption (EFC).

This is corroborated by evidence from elsewhere. Reducing EFC can generate additional funds and improve the efficient use of public resources to improve program outcomes (van Stolk and Tesliuc 2010). Even a small fraction of misappropriated benefits may add up to large sums of money with high opportunity costs. On average, social protection spending represents 15.7% of GDP in developed countries, 7.4% in middle-income countries (MICs) and 3.8% in low-income countries (LICs).<sup>2</sup> A 2006 international benchmark study on fraud and error in social security systems of OECD countries puts the range of fraud and error in social protection systems between two to five percent of overall government expenditure on

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<sup>2</sup> World Bank 2007 FEC SSN Primer note.

social security.<sup>3</sup> EFC is likely to be more prevalent in social protection programs of less developed countries as a proportion of overall spending compared to OECD countries due in part to the limited administrative capacity, absence of adequate monitoring and of clear evidence-based strategies to combat EFC. Social safety nets in particular stand at greater governance risk due to their inherent design features. Programs are targeted to poor households, but poverty status changes over time and eligibility tends to be hard to verify. Responsibilities for implementing programs are often shared across government levels and agencies, diffusing responsibility and hindering accountability. Finally, beneficiaries tend to suffer from exclusion and have limited voice. This suggests that actions aimed at reducing EFC and, more broadly, at strengthening governance and program administration of safety net programs which deal with significant amounts of cash, can contribute to improved outcomes.

This report proposes an analytical framework and diagnostic resource to review governance dimensions of specific SSN programs and how these might be strengthened. It intends to provide guidance to World Bank staff, donors and policy makers interested in strengthening program administration and mitigating potential governance risks within social assistance programs. The diagnostic resource is based on what we know about good practice elsewhere. The report uses information available from other regions in the world, for instance the Latin American Caribbean (LAC) region, as well as experiences of OECD countries which highlight governance challenges and ways these have been addressed in a range of SSN programs. The background country studies provide more in-depth information about individual programs' administration, and are aimed more directly at country specific audience and program managers.

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<sup>3</sup> NAO (2006), *International benchmark of fraud and error in social security administrations*, (HC 1387, Session 2005-2006)

SSN programs are mostly defined as non-contributory transfer programs targeted to the poor. They typically include measures that help beneficiaries to alleviate extreme poverty or help them make decisions to increase human capital. SSN programs typically include (taken from Grosh et al 2008)<sup>4</sup>:

- unconditional or conditional cash transfers;
- in-kind transfers such as school feeding programs;
- price subsidies for households such as for energy or food;
- jobs on labor-intensive public work schemes (workfare); and
- fee waivers for essential services, healthcare, schooling etc. (including non-contributory health insurance)

#### **Error, Fraud and Corruption (EFC)**

*Error* is an unintentional violation of program or benefit rules that result in the wrong benefit amount being paid or in payment to an ineligible applicant.

*Fraud* occurs when a claimant deliberately makes a false statement or conceals or distorts relevant information regarding program eligibility or level of benefits.

*Corruption* commonly involves manipulation of beneficiary rosters, for example, registering ineligible beneficiaries to garner political support, staff accepting illegal payments from eligible or ineligible beneficiaries, or diversion of funds to ghost beneficiaries or other illegal channels

This report explores the governance dimensions of SSN programs in the ASEAN region by taking an in-depth look at a selection of social safety net programs in Indonesia, the Philippines, Vietnam, and Cambodia. This narrowing of focus is important given the large number and variability of social safety net programs in operation across ASEAN member states. The selection of programs plays into some developing trends in the choice of social safety nets by ASEAN member states of different levels of income, geographical size, population and administrative capacity:

- The *Jamkesmas* Health Insurance for the poor scheme in Indonesia, a national health insurance program targeted at the poor and the near poor. Poor households (around 19 million households) receive a health card which entitles them to a free comprehensive package of health service from primary health care to secondary and even higher levels of care.

<sup>4</sup> The report does not explicitly include contributory social assistance schemes or government programs aimed at poverty reduction but not classified as SSN programs (e.g. schooling and education programs).



- The *Pantawid Pamilyang Pilipino Program (4Ps)* in the Philippines, a national CCT program covering 1 million beneficiary households with a plan to scale up to 2.3 million households by 2011. The program provides a stipend on a quarterly basis to households provided they meet certain health and education conditions.
- Vietnam's national social assistance program under *Decree 67*, including cash transfers to orphans, children and adolescents deprived of parental care, elderly living alone, people above the age of 85 without a pension, severely disabled and unable to work, mentally disabled and poor single parents. The recent widening of eligibility criteria has led to a considerable increase in the number of beneficiaries from 416,000 in 2005 to about one million in 2008, accounting for around 1.2 percent of the population.
- The planned use of a national *public works* scheme in Cambodia as part of the National Social Protection Strategy. The two public works programs considered in this analysis are the WFP's Food for Work scheme, reaching over 20,000 households in food insecure areas every year and the Cash for Work pilot (under the Emergency and Food Assistance Project – EFAP – supported by the ADB), which has also reached about 20,000 households since it first started in 2008.

## 1.2 Defining Governance

There are many ways of defining governance. The Governance and Anti-Corruption Strategy of the World Bank defines governance as “the manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services” (World Bank 2007). For human development programs governance analysis reflects mostly on the relationship between the nature of governance and service delivery in health, education, and increasingly social protection (see for example, Fiszbein, Ringold, and Rogers 2009 or Lewis and Petterson 2009). In another formulation, governance in social protection can be defined as *the set of incentives and accountability relationships that influence the way in which providers are held accountable for their behaviors and ability to deliver services with quality and efficiency*<sup>5</sup>. From an operational perspective this translates simply into (i) the rules of the game; (ii) the roles and responsibilities; and (iii)

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<sup>5</sup> *Rules, Roles and Controls: Governance in Social Protection*, Draft Background Paper for the World Bank Social Protection Strategy

control and accountability measures<sup>6</sup>. Effective governance arrangements drive implementation and affect outcomes through improving coordination of programs, shaping accountability and incentives for providers and promoting transparency and participation (see World Development Report 2004). There is ample evidence that supports the link between improved governance and development outcomes (Hyden et. al 2004, Campos and Pradhan 2007, ODI 2006). Hence, investing in strengthening and improving governance in programs would lead to better development outcomes.

In this paper we introduce an analytical framework to help SSN program staff and managers identify governance risks and constraints which, if removed, could improve the outcome of SSN as they are scaled up in the ASEAN region. However, improving governance requires looking at the “full picture”. Many governance challenges are not unique to social protection and would be best addressed in the context of broader public sector reforms that strive to enhance performance across sectors, for example through better performance management systems, performance-based budgeting, civil service reform, etc. While this goes beyond the scope of this report, it is important to keep in mind that governance interventions are possible at different levels. Here we will focus on the program (micro) and meso levels, as they are the ones on which program staff are more likely to have room to shape design and influence implementation.

- **Macro-level:** *This level reflects on how the sector is embedded in the wider institutional configuration. For instance, it would consider the independence of the supreme audit institution (SAI), the civil service code or framework, the rule of law, and coordination in the core executive.*
- **Meso-level:** *This level looks at sector arrangements, for instance the institutional arrangements between ministries involved in administering (implementing) and governing (defining policy oversight and monitoring) the social safety net.*
- **Micro-level:** *This level looks at the responsibilities of different actors and accountability relationships under the program rules to administer and implement the program.*

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<sup>6</sup> Ibid.

The report takes an evidence-based approach focusing on the governance challenges that SSN in the ASEAN region face. Good examples exist on how SSN programs have been strengthened from a governance perspective (see for example the review of SSN in the Latin American and Caribbean (LAC) region, World Bank 2007) and more importantly on what works in terms of particular outcomes (for example see the example of error, fraud and corruption in van Stolk and Tesliuc 2010 or Attanasio et al. on CCTs 2005).

However, good practice from one country is not immediately transferrable to another. Critical factors that shape program performance include the political economy at the country or sector level (see Fritz 2009), administrative constraints, public sector performance and accountability relationships, and whether citizens and beneficiaries are able to demand services and provide oversight to program implementation. Therefore, the report does not intend to be prescriptive or normative. Rather, it provides a framework to think about governance in social safety nets and attempts to provide examples that policy-makers can learn from to better understand the governance implications associated with their programs.

From an operational perspective, it is useful to identify the different stages of a SSN program. In each stage different stakeholders are involved. This is important in identifying not just the challenges that exist in each stage of a process but also whom they might affect and who can exercise control over them. This speaks to a process analysis, looking at program implementation stages from the entry of the beneficiary in a SSN program to the exit (see Campos and Pradhan [Eds] 2007). From literature review and experience, the report derives a range of questions that program staff can consider and groups these questions along the stages of a SSN program.

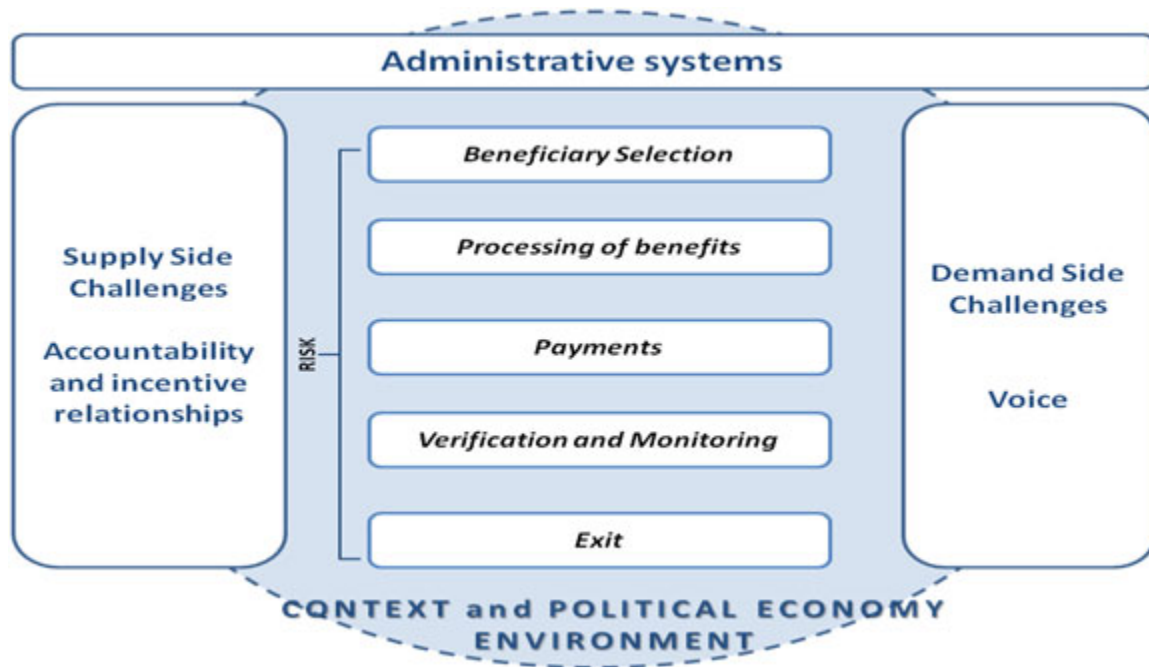
## **II. An analytical framework to incorporate Governance in SSN**

### ***2.1 Basic framework***

The conceptual model is simple. The underlying intervention logic is that improvements in governance would contribute to the reduction of unwanted outcomes such as poor targeting and error, fraud, and corruption (EFC) and improve coverage, which in turn would contribute

to the improvement of the quality of service delivery and of human development outcomes (see also Fiszbein, Ringold and Rogers 2009).<sup>7</sup> The design of SSN should then consider how to address governance challenges.

**Figure 2. An Analytical Framework to Understand Governance in SSN**



As indicated in the framework (see figure 2) a number of inter-related challenges exist which include: supply-side issues (performance incentives, accountability relationships); demand driven governance (citizen and beneficiary “Voice” to hold service providers accountable); and administrative capacity to deliver a complex program to large numbers of beneficiaries over a wide geographically dispersed area. A set of cross-cutting governance principles relating to (i) clarity of institutional responsibilities and accountability, (ii) alignment of performance incentives, (iii) transparency and program information disclosure, (iv) rule of law, (v) financial management and (vi) social accountability are embedded within the framework. These governance principles inform “risks” that operational staff might consider

<sup>7</sup> It is important to note that this resource takes the view that improvements in governance contribute to better human development outcomes. This is based on emerging evidence (see Hyden et al 2006). The report acknowledges as pointed out in a number of papers that isolating the impact of governance on human development outcomes is particularly challenging (see ODI 2006 and more recently Fiszbein, Ringold and Rogers 2009).

along each stage of a SSN program, and are described below. As mentioned earlier all of these are nested within the wider “political economy” of the country context which shapes what is or not feasible to propose as new program design or reform measures for existing programs.

*Administrative Systems:* The framework distinguishes between administrative capacity and governance by looking at mechanisms that strengthen both “internal” and “external accountability”<sup>8</sup>. Administrative capacity challenges that programs face affect not only program outcomes but also the “tool box” program managers have available to mitigate governance related risks. While governance principles are universal, the specific governance tools available to ensure these principles are implemented are likely to be very different in middle income versus low income countries for example. Therefore, administrative challenges have to do with a set of “enabling conditions” for action. This is an important point, as it relates to what is feasible in different contexts. Lack of administrative capacity can put limits on the way that the rules of the game are implemented as well as on the tools available to mitigate governance risks. Frequently, considerations on administrative capacity are made when drawing up recommendations. However, because of its perceived importance as a driving factor of the available governance tools available, here it is considered as part of the framework itself. For our current purpose, we will consider administrative capacity as including factors such as: (i) the existence of a modern MIS (full automation of MIS systems might be possible in a high-capacity environment, but not in a low-capacity fragile state); and (ii) adequate human and financial resources to administer a safety net program. Most interventions to improve administrative capacity are not specific to social protection sector and programs. Rather, they are part of broader public sector reform issues which significantly affects service delivery.

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<sup>8</sup> Internal accountability relates to rules and regulations by which program staff and managers deliver on their roles and responsibilities. Clarity of roles and responsibility is an essential element of internal accountability. External accountability refers to the agencies compact to deliver services to program beneficiaries and to be held accountable by independent institutions of accountability (audit, anti-corruption agency, judiciary), legislature, and beneficiaries (see WDR 2004).

Investments in administrative capacity can be cost-effective and contribute to better use of existing resources. An example from Canada shows that increased staff training in Service Canada on how to reduce processing errors coupled with holding managers to account for errors in a results-based framework, proved effective in reducing processing errors in the means-tested income program (NAO 2006). The latter also reflects on aligning incentives with responsibilities. *The evidence from the OECD* shows that increased use of data-matching on files allows social security administrators to target scarce detection resources (such as fraud investigators) on those cases with the highest probability of fraud. This highlights that sometimes investment in ICT can be very cost-effective in the longer-run (NAO 2006). Electronic systems used for processing also tend to cut down the number of errors in processing and payment systems (NAO 2006). They also allow for a more systematic and integrated MIS. However, the effectiveness of investments in administrative capacity can be limited by factors beyond the control of program managers, such as those that relate to the extent of “political influence” on the overall administration of the program. If this is the case, improved administrative systems and better human/financial resources will not yield results.

***Accountability and Incentive Relationships:*** Institutional relationships in which the actors are accountable to each other and have the right incentive to perform contribute to quality of service delivery. On the supply side, we will focus on the elements that contribute to successful accountability relationships between service providers and policy makers<sup>9</sup>.

- ***Clarity of institutional responsibilities and accountability*** - a key factor to ensure service providers are held accountable for program outcomes. If multiple organizations or process steps are involved responsibility is diffused and no one is responsible. Evidence shows that clear job description, standard operating procedures, and functional separation avoids duplication of tasks, ensures that tasks are carried out and allows accountability. Functional separation ensures for instance that staff who process an application are not the same as those paying the beneficiary, reducing corruption risks. Often clear delineation between jobs also leads to professional certification and targeted training. Most social security administrations in OECD countries have taken

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<sup>9</sup> In many cases in the delivery of safety nets, the service provider is the government itself, but this need not be the case.

steps to reduce the complexity of administration by eliminating unnecessary process steps that contribute to program risk, as this contributes to processing errors.

- ***Alignment of performance incentives to responsibilities*** - *Aligning incentives to responsibilities ensures that staff have the right incentive to administer the program.* For example in Brazil's Bolsa Familia program, determination of eligibility is managed at a centralized level based on a means test. However, many aspects of Bolsa's operations are managed by municipalities. The Ministry of Social Development provides a performance-based financial incentive to municipalities to promote good implementation. Specifically, the Ministry monitors municipal implementation quality using a four point scale, which covers key indicators of registration quality and verification of compliance with conditionalities. Based on the scores, the Ministry pays a pro-rated administrative cost subsidy. Poor performers do not qualify for this subsidy, but are offered technical assistance to improve performance.
- ***Transparency and program information disclosure:*** *(a) capturing information on the program improves functions; monitoring and evaluation help provide information for accountability and lessons learned to all stakeholders; and (b) transparency among stakeholders leads to better program outcomes and reduces error, fraud and corruption.* Disclosure and transparency relate to two main aspects: (i) program results and (ii) program rules, including eligibility criteria, benefits, existing conditionalities, etc. Given the type of beneficiaries of social assistance program, transparency is not sufficient to guarantee real access to information and in many cases must be accompanied by active communication strategies and the involvement of civil society. This is particularly true in context in which program rules may change, such as when new programs are introduced or there is an expansion of eligibility criteria. In India's National Rural Employment Guarantee Act (NREGA) the program adopts a "proactive disclosure" of program information approach. Information is disclosed to the public through boards at the village level, all NREGA documents are digitized and regularly uploaded to the MIS information and all information requests should be satisfied within seven days. NREGA data is made available to the public through its national web portal (Aiyar and Samji 2009).
- ***Rule of law to ensure sanctions against non compliance.*** *Ensuring that there are administrative or legal redress for non compliance with program rules.* The OECD experience shows that sanctions are an effective deterrent and that most systems have increased the use of sanctions (against staff and beneficiaries). In the UK, the sanctions policy is based on administrative penalties, cautions, recovery of payments, and prosecutions. There are clear guidelines on what irregularities are, when a sanction is applied, as well as which organizational resources are responsible for enforcement
- ***Control mechanisms and oversight.*** *Control mechanisms are the elements of the system that provide oversight and help ensure that the incentives set up between the*

*policy-makers, providers and beneficiaries function well. This includes internal and external audits and spot checks and increasingly the use of risk-based approaches in a given context.* For cash transfers, the area of financial management is particularly sensitive. Controls may include systematic, secure systems for monitoring distribution, collection, and processing payments (use of ICT and smart cards for example). Many of these are top-down measures, but it is in the area of controls that synergy between supply and demand sides of governance are key to ensure accountability. In Latin America and the Caribbean, safety net programs use a combination of tools such as audits, spot-checks, transparency and participation measures supported by strong judicial prosecution of misuse as a means to strengthen governance and reduce EFC. Table 1 provides a summary of these measures and the constraints to their effectiveness in SSN programs.



**Table 1: Control and accountability mechanisms used in SSN programs in the Latin American and Caribbean region**

Mechanisms	Pros	Cons
<i>Top down</i>		
Supreme Audit Institution	Country-wide	Standing varies between countries
Call centres	Client facing, cost-effective, and useful in multi-tier systems	Needs to operate well or can backfire
Public prosecutors	Useful deterrent for corruption and to foster accountability	Impact limited more widely and can be expensive
Spot checks	Quick feedback on implementation of program	None
Data-matching	Cost-effective and quick	Need to have IT, expertise and unique identifiers
Concurrent audits	Provides timely information that can be acted upon	Costly
Public disclosure of program information	Fosters transparency and shared understanding	Privacy issues
Evaluation	Basic accountability tool	Takes a long time and expensive
<i>Bottom up</i>		
Neighbourhood and municipal committees	Builds on skills and may be closer to beneficiary	Depends on volunteers and role needs to be defined carefully
Committees of mothers	Beneficiary empowerment	Depends on volunteers who may become intermediaries
Civil society	Third party close to beneficiary	Potential conflict of interest

Source: World Bank 2007

**Voice:** Demand-based interventions that complement formal accountability mechanisms are a key feature of effective SSN programs. These mechanisms help ensure that citizens and beneficiaries can “voice” complaints regarding program administration, and seek redress on grievances related to the quality of program delivery or payment of benefits<sup>10</sup>. Most program

<sup>10</sup> A debate exists regarding whether grievance redress and complaints mechanisms are demand or supply side measures (as they are formal channels provided as part of the supply of services). We include most of the discussion here under the demand side and the challenges related to providing “voice” to program beneficiaries. However, we recognize that GRS are formal channels that fall under the “supply side” and we wish to stress the importance of the complementarity of the demand/supply sides in order to implement a functioning GRS.

use some form of end-user feedback or independent monitoring to provide program checks independent of MIS and program audits. For instance, the Heads of Household Program in Argentina is a large-scale emergency workfare program established during the 2001-2 economic crisis. The Ministry of Labor is the responsible national agency and registration is decentralized through municipalities and civil society/political organizations. A set of complaint resolution tools has been established, including: (a) Toll free hotlines manned by call centers addressing questions on payment dates, eligibility and for reporting ineligible beneficiaries; (b) a Commission in the Ministry of Labor to handle allegations of program abuse or complaints; (c) Criminal offenses are referred to a Federal Prosecutor of the Social Security System; and (d) a monthly cross-checking of databases. This approach combines complaint lines with clear sanctions that can be enforced. Several innovative examples exist of SSN programs which incorporate demand based interventions into program design as described in Box 1.

### Box 1. Program Applications of Demand Based Governance Interventions

***Making information available to stakeholders:*** a well-known example of the importance of transparency for program effectiveness is the experience of India's National Rural Employment Guarantee Act (NREGA). Several studies highlighted the poor performance of many workfare programs in India, where often money did not reach intended beneficiaries, and pointed at a generalized lack of transparency and accountability. The implementation of the Right to Information Act in 2005 offered the basis for the program to introduce a number of innovative accountability measures. All of these build on "proactive disclosure" of program information. NREGA guidelines require that information is disclosed to the public through boards at the village level, and that all information requests related to NREGA are satisfied within seven days. Moreover, all NREGA documents are digitized and regularly uploaded to the MIS at the state and central levels. All the data is available to the public. The key innovation and what has made this a celebrated case study, however, is the institutionalization of Social Audits through which this information is socialized at the local level, effectively allowing citizens to understand and use this information to enhance accountability. The Social Audit process itself is highly participatory: after collecting all the relevant information, village auditors conduct information sharing sessions which help citizens understand the scheme and allow discussion over implementation. Evaluations of the social audit process in Andhra Pradesh showed significant improvements in levels of awareness among program beneficiaries, which have in turn led to improvements in program implementation (in combination with government support of the process, which makes immediate grievance redress possible).

***Promoting bottom-up social accountability:*** includes beneficiaries and civil society becoming involved in key stages of a SSN to hold service providers to account and complement existing accountability mechanisms. This involvement can range from beneficiary selection to verification and monitoring. However, such involvement should also reflect on who should be involved and when. There is a huge variance between SSN programs. For instance, in Indonesia PNPM Generasi provides block grant to communities at the village-level. Communities, working together with program facilitators and front-line health and education workers, identify constraints to improving 12 priority pre-identified health and education indicators. Communities then identify activities that can overcome common constraints, and use Generasi block grants to finance these activities. For education, activities range from building satellite classrooms in remote hamlets to providing scholarships and buying bicycles, school uniforms, shoes and bags for school-aged children from poor households. For health, many communities subsidize prenatal and postnatal care, or hire additional midwives. Each community elects an 11-member village management team, which monitors community performance towards achieving the health and education indicators, for example, regularly checking of primary school attendance and recording of the number of prenatal checkups undergone by each pregnant mother. Communities use monitoring results to reallocate Generasi funds throughout implementation to support activities aimed at indicators for which progress is lagging.

***Supporting Grievance Redress Mechanisms:*** In the Dominican Republic CCT program *Solidaridad* complaints forms are available to all beneficiaries, who can file claims individually or in a group. Additionally, to enhance community participation, the Government recently created a "social network" (*Red Social*) of community-based organizations. The "social network" receives and channels claims about the program and also seeks to improve communication between program and beneficiaries. Complaint forms are received by Regional Committees and forwarded to the appropriate agency: the Single Beneficiary Registry (SIUBEN) for targeting and household data issues; the Social Transfer Office (ADESS) for issues about payment; and the *Solidaridad* Central Office for problems with information on beneficiary rights and responsibilities and access to social services (health centers and schools). Claims must be answered in writing within 30 days. The system does not yet allow follow up for claims that do not relate directly to the CCT program, such as those associated with the provision of health and education services.

***Political Economy:*** Political economy relates to "the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and

individuals, and the processes that create, sustain and transform these relationships over time” (see <http://www.gsdrc.org/dpcs/open/PO58.pdf> and [www.oecd.org/dac/governance/politiceconomy](http://www.oecd.org/dac/governance/politiceconomy) ). This is particularly pertinent in the case of SSNs. Safety net programs can be large, are directly targeted at individual households, and can potentially be used by political leaders as populist programs to win re-election. Experience from LAC has shown that programs can show bias in geographical targeting to ensure that opposition areas receive less funds or households are excluded from the program. An interesting study from Colombia showed that local mayors manipulated a national poverty index around election time to include additional households near the poverty line, particularly in closely contested municipalities (see Camacho and Conover 2009). The implications of “political economy” influencing the administration, targeting, and scaling-up of programs in the ASEAN countries is apparent. This is of special importance in democratic systems with competitive national and local elections. In our framework we identify Context and Political Economy as the key factors influencing the effectiveness of Administrative systems, Accountability and Voice as well as each step in the program chain.

**Risk:** Mapping of program risk can take place at several levels. Risk can be identified at the country level in terms of the overall accountability environment (see for example Transparency International National Integrity Assessments [www.transparency.org/policy](http://www.transparency.org/policy)). There are a number of assessment methodologies used by OECD countries to assess institutional integrity i.e. the overall risks associated with the management practices and internal controls of a particular public sector agency (see OECD, 2005). Perception surveys and independent Civil Society Organizations’ reviews of agency service delivery provide an external perception of program risk (see ICW Jamkesmas review 2008). Agency external audit reports provide valuable information on program vulnerabilities and risks through identification of observations and deviations from program policies and rules. Using a combination of these techniques can provide a useful overall assessment of institutional risk. Identifying and mitigating program risk involves mapping out the key steps in the program process and identifying vulnerabilities or weaknesses. The 4P program in the Philippines provides a good example of process risk-mapping and mitigation of key vulnerabilities identified (see box). Finally there is a temporal dimension of risk. During program

implementation new issues may emerge and previously identified risks may no longer be relevant, hence the need for robust monitoring systems that provide accurate information on problems/risks emerging during implementation (for example through complaints registered, audits observation, and findings from third party monitoring reports).

**Box 2. Risk Mapping in the Philippines 4P**

The 4Ps underwent a process risk mapping (PRM) exercise to identify and mitigate vulnerability leaks in key stages of the program implementation. The PRM identified and highlighted decision-points where program implementers at the national and sub-national levels have a high degree of discretion, unguided by project procedures. Conducted jointly with the World Bank, the PRM for 4Ps mapped out decision-making points step-by-step for geographic selection, household targeting, registration, compliance monitoring and payment. Wide discretion opens up the potential for fraud or corruption. The findings of the PRM exercise served as inputs in devising measures to mitigate the risks in implementing the 4Ps. The review of 4Ps implementation experience in the pilot phase identified points of vulnerability in the program delivery chain. The exercise found that most of the potential problems were attributed to the rapid scale-up of the program relative to the implementing capacity of DSWD and the readiness of systems in place to operationalize the 4Ps. Significant attention has since been placed on strengthening the staffing of key areas of program implementation.

### **III. Along the program chain**

The analytical framework and the key governance principles described above form the basis for the analysis that follows. In considering the governance aspects of safety nets, it is useful to reflect on the different program stages, the potential risks, and the stakeholders involved in each one of them. There are a number of ways in which these stages can be represented, and some degree of overlap and variation can be expected, particularly in the case of safety net programs with different structures such as cash transfers, health insurance and public works. Nonetheless, thinking through the different steps of program implementation is a useful way to make governance analysis immediately valuable from an operational perspective. Grosh et al (2008) usefully introduce an overview of processes and stakeholders involved in a safety net program,<sup>11</sup> which in this report has been slightly adapted to the following four stages<sup>12</sup> where governance dimensions are of particular interest:

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<sup>11</sup> This framework was adapted from Baldeon and Arribas-Banos 2008.

<sup>12</sup> The description of stages was in places adapted from World Bank 2007.

- **Beneficiary selection (entry):** This stage refers to the entry of beneficiaries in the system and reflects not only on the targeting mechanisms (geographical, means-tested, community participation), but also on the procedures in place on the ground for selecting beneficiaries. It therefore includes socialization and communication strategies in place to inform potential beneficiaries about the program and its eligibility requirements, as well as the role of the community in terms of ‘social auditing’ and ensuring compliance.
- **Processing of benefit applications (registration and eligibility verification):** This stage refers to the actual process of registration of benefits, how files are processed at different levels of the administration and what verification takes place on the eligibility of the application at the outset of the claim.
- **Payment of benefits:** This stage represents not only the delivery of payments but also the process of determining the amount, frequency, and mechanisms for transfer of funds.
- **Verification and monitoring:** This refers to what monitoring and verification takes place during the period of the claim and at what level. It includes the use of management information systems, audits, quality control mechanisms, complaint management, social controls, and evaluation of impact assessment. It also reflects on policies with regards to the consequences of non-compliance.

For each of these stages, and for the cross-cutting themes relating to institutional structure, we will identify below the main governance and administration elements that should be considered in the design of safety net programs. Key diagnostic questions are highlighted to guide the reader through the main points, but a more comprehensive list of questions per stage can be found in the annex (see Annex 2). This list can form the basis for the development of more in-depth questionnaires which necessarily need to be tailored to country-specific contexts. Such an exercise was conducted in the four ASEAN “case-study” programs chosen for this report, and some of the findings will help illustrate the discussion and conclusions that follow. As mentioned above, the four ASEAN SSN programs we have chosen to illustrate the program chain include:

- The *Jamkesmas* Health Insurance for the poor scheme in Indonesia, a national health insurance program targeted at the poor and the near poor. Poor households (around 19 million households) receive a health card which entitles them to a free comprehensive

package of health service from primary health care to secondary and even higher level of care.

- The *Pantawid Pamilyang Pilipino Program (4Ps)* in the Philippines, a national CCT program covering 1 million beneficiary households with a plan to scale up to 2.3 million households by 2011. The program provides a stipend on a quarterly basis to households provided they meet certain health and education conditions.
- Vietnam's national social assistance program under *Decree 67*, including cash transfers to orphans, children and adolescents deprived of parental care, elderly living alone, people above the age of 85 without a pension, severely disabled unable to work, mentally disabled and poor single parents. The recent widening of eligibility criteria has led to a considerable increase in the number of beneficiaries from 416,000 in 2005 to about one million in 2008, accounting for around 1.2 percent of the population.
- The planned use of a national *public works* scheme in Cambodia as part of the National Social Protection Strategy. The two public works programs considered in this analysis are the WFP's Food for Work scheme, reaching over 20,000 households in food insecure areas every year and the ADB's Cash for Work pilot (under the Emergency and Food Assistance Project), which has also reached about 20,000 households since it first started in 2008.

These programs range in complexity from those with a conditional element to the benefit (Philippines), to a poverty targeted health insurance schemes in a large decentralized setting (Indonesia); to those which provide cash payments to the poor in low to lower middle income countries (Cambodia and Vietnam).

The program examples illustrate the challenges faced by managers and administrators in identifying and mitigating overall program risk and ensuring that the right benefits get to the right beneficiaries, quickly in a transparent and efficient manner with minimum error and misuse. Due to the nature and development stage of the programs analyzed, these case studies have focused on "first generation" issues such as targeting, coverage, reliability of payments more than on "second generation" issues related to graduation from programs. When programs are relatively young, fiduciary oversight, mitigation of error, fraud and corruption, transparency and accountability tend to be immediate concerns. Once systems are more developed and systematized, and programs run smoothly, attention tends to shift to other issues such as exit from the program. The nature of the governance environment in the

four countries illustrates some of the risks we have highlighted in the previous section, and provides some examples of mitigation techniques currently used by ASEAN countries to reduce program risk.

### *3.1 Roles and Responsibilities*

Clarity of institutional responsibilities is a cross-cutting issue that must be considered before looking at individual program implementation stages. Social safety net provision in ASEAN countries and elsewhere has often been reactive, with new programs initially implemented in an ad hoc, fragmented, manner. As a result, programs often lack strategic planning and a clear institutional structure. This can become a significant problem as programs grow in size and scope, and as new programs are implemented which can overlap with existing administrative structures. This lack of coordination poses a risk for program effectiveness.

#### ***Key questions – Roles and Responsibilities***

- How many tiers are involved in program administration?
- What are the roles and responsibilities of different levels of government for financing, delivering, monitoring programs?
- Are these roles clearly defined and communicated?
- How is coordination ensured within and across government levels?
- Are program resources (staff, administrative budget, etc.) commensurate to case load?
- Are there performance based incentives/penalties?

CCT programs in particular present significant coordination challenges due to the need to ensure service supply and enforce conditionalities. Institutional clarity is key to ensure that supply-side services are provided, that compliance monitoring by schools and health clinics is conducted, and that monitoring and oversight at the local levels is effective. Upon the creation of the Philippines CCT program (4Ps) in 2007 the government formalized the institutional arrangement among the agencies involved through a series of government administrative orders.<sup>13</sup> This institutional structure helps ensure that the responsibilities and

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<sup>13</sup> The institutional arrangement among government agencies in the implementation of 4Ps was formalized in the following: Memorandum Circular 9 Series of 2007, Creating the Ahon Pamilyang Pilipino (APP) Program National Advisory Committees and Defining Their Roles and Responsibilities; Administrative Order 16, Series of 2008, Guidelines on the Implementation of Pantawid Pamilyang Pilipino Program (4Ps); and Joint



lines of authority are clear between agencies and levels of government in terms of who is expected to do what. Moreover, national, regional and municipal advisory committees have been created to ensure smooth coordination between relevant government departments and ensure the availability of health and education services in the targeted areas. At a higher level, coordination across social programs remains harder to achieve. Once again, the Philippines has made substantial efforts by establishing an inter-agency National Economic and Development Authority – Social Development Committee (NEDA-SDC) Sub-Committee on Social Protection (SCSP)<sup>14</sup>. However, there continues to be a lack of coordination between programs, and subsequently, potential overlapping and double counting in beneficiary selection.

Additionally, separation of responsibilities for financing and implementation across government levels implies the need to carefully think about the institutional incentive structure. Due to the need to redistribute resources national governments typically finance a large share of social assistance programs, while local governments often retain significant responsibilities in the administration of benefits. Several ASEAN members have chosen more decentralized approaches (for example, Vietnam and Cambodia) to program administration, which raises issues on the clarity of institutional responsibilities and incentives in the implementation of SSN across different government levels. Managing the natural tensions of multi-level systems is not easy. But clarity of roles and responsibilities for financing (budget allocation), delivering, and monitoring programs at the different levels of government are the first step in creating an institutional system in which actors can later be held accountable for their performance.

In Vietnam four levels of government are involved in the administration of social assistance benefits. Roles and responsibilities of stakeholders at various levels of government are clearly defined: program objectives and guidelines are set at the national level, but implementation is left to provincial and district authorities, with a strong role for local agents

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Memorandum Circular 1, Series of 2009, Defining the Institutional Arrangements for the Implementation, Monitoring, and Evaluation of the Pantawid Pamilyang Pilipino Program (4Ps).

<sup>14</sup> SDC Resolution No. 2, series of 2009

as well<sup>15</sup>. One district level worker plus commune<sup>16</sup> staff will often handle all aspects of beneficiary management, payment, monitoring and reporting, as well as front-line interface with beneficiaries. This can lead to significant strain, particularly when beneficiary numbers are growing and responsibilities for tracking, training, communication campaigns, monitoring and payment increase. Resource constraints prevent the creation of a designated cadre of social workers at the district or even commune level in the near future. However, formalizing the division of responsibilities, recognizing the professional role of local social officers by developing appropriate job descriptions and assigning adequate resources would be instrumental to more clearly align policy makers, providers' and beneficiaries' incentives.

In Indonesia the Jamkesmas Program has decentralized responsibilities for selection of beneficiaries and implementation to lower levels of government (province, district and villages). Overall policy and allocation of funds, based on poverty mapping, are done at the central government level. Additionally, since 2008, administration of beneficiary "cards" – the basis for receiving free health services – is outsourced to PT ASKES a state-owned company that runs the social health insurance for civil servants. Delivery of cards to beneficiaries, complaints handling, and monitoring are also decentralized to local government officials and local health providers at the district and village<sup>17</sup>. Overlaps with locally administered health insurance schemes (Jamkesda) are a major issue. It is currently estimated that around 200 districts, out of 540, have local health insurance programs (Jamkesda). These local schemes have their own eligibility criteria and vary widely in benefits package. This can lead to difficulties for the Central Government in monitoring the program and developing a roadmap to achieve universal coverage. The challenges mainly arise from the absence of clear roles and responsibility across government levels in the provision and financing of a minimum benefit package, in accountability of the use of public funds to finance the scheme and criteria for beneficiary eligibility.

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<sup>15</sup> Guidelines, roles and responsibilities of various parties are specified in Circular 09/2007-TT-BLDTBXH at the national level, which provides guidance to Provinces on the implementation of Decree 67/2007-ND-CP. Individual Provinces are then responsible for issuing further instructions for the District and Commune/Ward levels.

<sup>16</sup> The commune is the lowest rural administrative unit (the urban equivalent is a ward).

<sup>17</sup> A recent study conducted by the Center for Health Research (CHRI 2010) found instances of the local village head holding onto beneficiary card and using discretion on who should be eligible to receive the cards.

Public works programs also require significant coordination and interaction across government levels due to the substantial supervision requirements. In Cambodia, three levels of government are involved in the implementation of public works projects, with the central level responsible for final decisions on most aspects. Communities are engaged in various stages of project selection and implementation through a process that builds on existing participatory planning mechanisms for infrastructure investment at the village level. So far, provinces have played the key role in linking local and central levels. However, implementation currently relies heavily on donor partners for coordination and execution as well as funding. In the case of the Emergency and Food Assistance Project (EFAP), an emergency operation, it was decided that program coordination should be located within the Ministry of Finance because of its institutional strength and experience in financial management that would allow funds to be executed rapidly. A clear division of responsibilities, with all Ministries involved in policy-level decisions but the Ministry of Finance ultimately responsible for implementation, has facilitated execution. Separate Provincial Project Management Units (PPMU) were also established in each Province, and work with representatives of each line Ministry. The institutional set up appears to be appropriate for emergency assistance, but less fitting for a permanent program. In the case of the FFW projects, WFP maintains control of project approval and plays a strong role in facilitating communication and coordination across government levels. As part of the decentralization process, the role of districts is likely to grow, and it will be important to think carefully about new roles and responsibilities in this context.

### *3.2 Beneficiary Selection*

A common challenge in social safety net provisions is identifying vulnerable households and those affected by crises and shocks. Many ASEAN countries use geographical and poverty based indicators to select beneficiaries. For example Indonesia uses a Proxy Means Test for its cash transfer program. In recent years Indonesia has also experimented with a community-based targeting approach linked to its national Poverty Program (PNPM). In a randomized test, though the PMT targeting system had less inclusion errors communities expressed overall program satisfaction with the community-based targeting system as it was perceived as being “fair” (see Wong and Olken 2009). The process to identify and enroll beneficiaries

of social safety net programs has very strong implications for program coverage, targeting performance and final outcomes. There can also be incentives to manipulate beneficiary selection systems to benefit a particular group of beneficiaries (often for political or patronage purposes), hence the need to have a clearly defined system with limited discretion. In many cases ASEAN countries do not have a robust identification process on which to base targeting for social safety net programs. Programs then rely on different methods or combination of methods for identifying potential beneficiaries (means testing, geographical, community or self-targeting). Regardless of the methods chosen, however, some basic principles of transparency and consistency in the application of eligibility criteria apply.

Social assistance in Vietnam currently relies on categorical targeting and beneficiaries are selected through a community-based mechanism with a panel that decides on every application. Lists of beneficiaries are posted for 30 days before they are sent for formal program enrollment. Eligibility criteria are defined at the central level through administrative decrees but they leave some room for discretion, which can make it hard for social officers and review panels to make decisions on individual cases. From a governance perspective, the high level of involvement of the community in the beneficiary selection process is a strength of the Vietnamese system. However, a clarification of eligibility criteria is needed to ensure a more transparent application of existing rules and reduce discretion and opportunities for misconduct. The eligibility criteria of the various public works programs in Cambodia are also transparent and well documented in operational guidelines. A pre-determined set of criteria perceived as highly correlated with poverty are identified and used to guide communities in the selection of project participants. The village chief plays a strong role in this process. However, this selection process involves no formal ranking of households and there is room for discretion. In order to increase transparency and improve targeting outcomes, where data is available Public Works Programs have started to use the national household targeting system (ID Poor) which combines the community selection process with

a variation of Proxy Means Testing<sup>18</sup>, and ranking beneficiary households explicitly based on income.

In the Philippines the national household targeting system for poverty reduction uses the proxy means test (PMT) methodology to identify the poor. The selection process also includes community validation to ensure accuracy and increase acceptance at the community level. Community screening helps identify errors in the PMT, but it also opens up opportunities for political intervention in the list by local chief executives, particularly Mayors, by bringing in some subjectivity to the process. The list of potential beneficiaries generated through the PMT is publicly posted and potential beneficiaries gather to validate it and update household information. Even if households are eligible they cannot become 4Ps beneficiaries if they don't participate in the Community Assembly. Department of Social Welfare Development (DWSD) estimates that the current system generates low inclusion and exclusion errors of about 5 percent.<sup>19</sup> The National Household Targeting System for Poverty Reduction (NHTS-PR) initially started as a targeting system for CCT, is now a listing of poor households nationwide. The NHTS-PR is now not only being used for targeting for CCT, but also for the Philippines Health Indigent Program (health insurance for the poor), and the database has been shared with Department of Agriculture, Department of Health and the International Labor Organization (ILO).

In Indonesia, the target population for the Jamkesmas program is decided at the Central Government level based on national poverty figures, and beneficiary “quotas” are allocated across provinces and districts”. This allocation of “quotas” can lead to major discrepancies in overall beneficiary numbers and problems in accurate identification of households. A recent study conducted by the Center for Health Research, Indonesia (CHRI 2011) in two provinces found major discrepancies in the numbers of cards allocated and mis-printing in beneficiary names on the cards<sup>20</sup>. Local government officials were often found to have surplus cards due to errors in the district poverty figures. Beneficiary selection is carried out

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<sup>18</sup> The PMT aims to objectively determine whether or not a household is poor by statistically estimating the household income based on a series of observable household variables closely correlated with income levels.

<sup>19</sup> Estimates as reported in Taradji (2010).

<sup>20</sup> CHRI conducted over 120 Focus Group interviews on Java and Sumatra in 2010-2011 with program stakeholders and beneficiaries in 2 provinces and 4 districts

at the village and neighborhood level by the village head based on the ‘quota’ and a household list provided by the local statistic office (Local BPS) after running a PMT to identify eligible beneficiaries. The list is finalized and validated by the district government office and submitted to PT ASKES as the appointed third party administrator to manage printing of membership cards and distribution. However, this process varies across regions especially in the criteria used to identify eligible households, the identification process, efforts to ensure transparency and public involvement in the development of the potential beneficiary list, and the distribution of the card. For instance, some districts will involve health authorities including their service network, i.e. Puskesmas<sup>21</sup> and village midwives, while others only involve village officials in the selection process.

Once a clear and transparent process for selecting beneficiaries has been established, program rules need to be clearly communicated to potential beneficiaries. Socialization and communication strategies about the program and its eligibility requirements are key to ensuring that eligible beneficiaries can access the program. In Vietnam, information about social assistance programs is communicated at village meetings and through the existing networks of civil society organizations. Representatives of mass organizations who have good knowledge of local households help citizens understand existing programs and recommend citizens whom they find eligible. Nonetheless, access to information can be a challenge in remote areas and for some vulnerable groups. Similarly, because Cambodia has a long history of public works programs, in many areas of the country communities are by now largely familiar with the concept and can easily access information about opportunities for new projects. However, Both in Vietnam and Cambodia, an expansion of the program or a change in program rules would require significant communication efforts for which the system is not prepared.

In Indonesia, the Ministry of Health and local health authorities also conduct public meetings to disseminate information about the Jamkesmas program to potential beneficiaries. Social media campaigns were also conducted to explain how the program would be implemented and the differences with the previous program Askeskin. There are critiques that the

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<sup>21</sup> Puskesmas refers to a Community health clinic (*Pusat Kesehatan Masyarakat*)

government budget allocated to conduct social marketing through the media is limited (Mukti 2008) and a Indonesia Corruption Watch study further explains that despite media campaigns the main source of information for the target population remain village officials and village health workers<sup>22</sup>. In the Philippines the On Demand Application and national validation processes were accompanied by a social marketing campaign to increase awareness of the National Household Targeting System for Poverty Reduction and its database, which includes the participation of national government agencies, meetings with non-government organizations, orientation of local government units (LGUs), and distribution of briefing and advocacy materials.

***Key questions – Beneficiary Selection***

- What are the rules for determining eligibility?
- How well do the eligibility requirements describe the target group?
- How much margin for discretion by local officials is there?
- Are eligibility criteria easy to understand for program staff and beneficiaries?
- What is the awareness among beneficiaries of program rules?
- How easy are eligibility criteria to verify (for program staff) and comply with (for beneficiaries)?

### ***3.3 Payment of Benefits***

Some basic principles should be always taken into account when deciding the most appropriate delivery channels for cash benefits. Ideally, all payments should be reliable (i.e. on time, predictable), the system should be transparent and provide clear accountability channels, it should be safe, and take into consideration both the cost of delivering the benefits as well as of receiving it (i.e. both the real and opportunity costs for beneficiaries). Moreover, responsibility for payment should be separate from decisions on program eligibility, in order to reduce opportunities for fraud and corruption and strengthen internal controls. It is important to understand the incentives that lie with service providers to both exclude beneficiaries from services (or payments), or provide low quality services, and among beneficiaries to claim eligibility or use services to which they are not entitled. Designing systems that are sensitive to these issues is key.

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<sup>22</sup> Indonesia Corruption Watch, Jamkesmas Policy Study, ICW Jakarta 2008

The Philippines CCT program is an example of a strong payment system that also deals with the additional challenges related to CCT, given by the need to verify that beneficiaries have complied with conditions on health and education before they can qualify for their quarterly payment. The release of payments undergoes several verification points. The MIS and Cash Division units' database must match, and the list needs to be approved by the Project Manager before vouchers can be processed. The payroll also needs to be verified by the Land Bank of the Philippines (LBP), a government depository bank responsible for transferring cash to beneficiaries. By design, this cycle could take at least one month. When DSWD receives confirmation that compliance is verified, cash is transferred to program beneficiaries electronically by LBP via a cash card. As of October 2010, around 59 percent of the first batch (Set 1) of 4Ps beneficiaries and 71 percent of the second batch (Set 2) have an LBP account and receive payments through cash cards, while the rest continue to receive their grants through Over-The-Counter (OTC) payments.<sup>23</sup> Challenges remain, however. A recent spot check survey for instance, found that beneficiaries need to endure long waiting hours and travel just to receive their payments through Landbank counters or through ATMs. The OTC process also opens up the possibility of bank personnel seeking illegal administrative "fees" for processing payment to 4Ps beneficiaries. Thus, automation and cutting out human interaction in the payment process helps to reduce potential governance risks. Automation can create challenges for beneficiaries who are either illiterate and/or not familiar with ATMs, so special measures should be taken to address this potential issue.

On a different scale, the largely manual payment system for social assistance transfers in Vietnam also contains checks and balances to mitigate governance risks, though further measures could contribute to significantly reducing the likelihood of errors. Responsibility for payment of benefits is separate from selection of beneficiaries, reducing the risk of fraud or corruption. Benefits are paid on a monthly basis typically at the commune level, but the cost of delivery is high, due to the substantial human resources required in what is largely a manual system. Moving away from such a system could increase transparency and accountability and reduce errors and costs, particularly in the context of a program expansion

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<sup>23</sup> Beneficiaries covered in Set 1 consist of about 341,000 households while Set 2 has about 288,000 households.



that would add significantly to the number of transactions required every month. The Government is therefore considering piloting electronic payment systems through alternative service providers, such as the post office system or local banks. This could free up processing time of local social officers currently involved in the delivery of cash benefits, increasing their ability to concentrate on other service delivery functions such as communication and outreach to beneficiaries. From a beneficiary perspective, electronic payment methods have the potential to increase safety and reliability of the transfer and lower the costs associated with going to the payment center on a monthly basis.

In Indonesia, primary health facilities (Puskesmas) receive payments on a capitation basis depending on the number of beneficiaries enlisted in their area<sup>24</sup> and can use the funds to reimburse health service provision as well as for outreach activities. Funds are channeled using postal service from MOH to Puskesmas accounts all over the country (around 8,000 Puskesmas). As a consequence of decentralization and at times conflicting local and national regulations, there is significant variation in the ability of Puskesmas to access these funds. Based on MOH data, by the end of 2010 the accumulated amount of unused capitation funds was around IDR 500 billion (about USD 57 million), or almost half the total budget allocated for capitation every year. Hospitals receive Jamkesmas funds as an advance payment based historically on their submitted claims. Once claims submitted to the Central Government level are verified, hospitals are allowed to use the funds. With the current verification system, the number of rejected claims is very low, with only less than one percent of claims rejected. Most public hospitals in the network also provide service to beneficiaries of local health insurance schemes. Some provincial hospitals deal with more than one local scheme, for instance provincial schemes, district-within-province scheme, and those from outside-of-province districts. This provides on the one hand additional administrative burden to deal with multiple payers, but on the other opportunity for hospitals to ‘balance-bill’ other schemes for non eligible poor patients. An interesting observations from the CHRI study was the use of “brokers” or middle-men by poor patients to ensure that more expensive medical

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<sup>24</sup> This is balanced by the existence of a “beneficiary quota” for each district.

treatment (for example kidney dialysis) requiring hospitalization was covered through the program by direct intervention of local politicians intervening on behalf of the beneficiary.

In Cambodia's public works projects payments to beneficiaries are linked to satisfactory project completion. This is meant to facilitate logistics as well as create a proper incentive structure to ensure work attendance and quality of products, though it could potentially penalize the poorest. An important additional reason in the case of food for work projects is the difficulty of arranging frequent food distribution. However, even in the case of cash payments, human resources constraints currently prevent a higher frequency of payments. To ensure that the right people are getting paid and that people are showing up for work, households and project committees maintain separate payment records, which are verified by the provincial levels and also subject to periodic spot-checks. Measurement sheets are also used to record pre and post-work measurements – these measurements are conducted jointly by the project committee and the cooperating partner for greater accountability.

***Key questions - Payment***

- Who is responsible for payments, the government or a service provider?
- Can the administration of financial flows be simplified and the cost of delivering and collecting payments reduced?
- Are there controls in place to verify that payments are correct (on time, to the right beneficiary and properly accounted for internally)?

### *3.4 Verification and Monitoring*

Program verification and monitoring needs can vary considerably depending on the type of SSN. For example, monitoring CCT compliance is a complex task involving many agencies, processing significant amounts of information, and requiring transfer of payments in a timely fashion based on beneficiaries fulfilling certain responsibilities as required by the program (Fiszbein, Schady et al 2009). Monitoring of a poverty targeted health insurance scheme relates more to the eligibility of the beneficiary, and whether the treatment was provided by the facility, and was the correct treatment. Overall, the incentives among the different administrative levels of service providers to accurately verify and monitor payment of benefits, needs to be designed as part of the program.

Regardless of the specific monitoring needs, all SSN programs require systems which capture program information at different administrative levels, and can generate reports to program staff to manage and make decisions in a timely fashion. Many of the Middle Income ASEAN countries use MIS Systems specifically designed to manage increasingly complex programs. The more developed SSN programs include a combination of tools, besides MIS, which cover verification and monitoring. These can include: external and concurrent audits, data matching, spot-checks, public disclosure, periodic evaluation. Bottom up monitoring by communities and civil society are also important elements of a verification and monitoring system. But typically in lower income settings, monitoring remains ad-hoc, dispersed between administrative levels and often manually administered.

As the Philippines ventured into the implementation of the 4Ps CCT program, the Department of Social Welfare and Development worked closely with international experts to develop a comprehensive MIS with modules suited to the 4Ps operation flows. Essentially, the MIS helps to ensure that every household beneficiary passed all the eligibility criteria and receives the correct amount of cash grant depending on current status and compliance with program conditionalities. Table 2 illustrates the specification of the six separate modules. The modules of the MIS were developed to produce automated reports, such as non-attendance reports from compliance verification system, and to update the database to make payments accordingly. Given the load of data that flows between processes and the level of technical

details necessary to implement the 4Ps, these refinements helped DSWD in ensuring that the MIS can effectively support the operations of the 4Ps. Today, the MIS handles the database and all data processing requirements for the program at the national, regional, and municipal levels. The MIS has built-in validation and duplicate check routines, which help correct potential errors in the system.

**Table 2. MIS in the Philippines' CCT program**

<b>MIS Module</b>	<b>Function</b>
<b>Household Information</b>	Stores information from the assessment forms completed by the households (the Household Assessment Form) and from information processed on eligible households provided by the targeting MIS. From the household information, this module produces cross tables or queries and helps check for duplicates of household beneficiaries.
<b>Registration</b>	Validates the information provided by households at the assessment stage. As some eligible households may have reported false information, the registration of the beneficiaries' information is done at village assemblies, where household information contained in the database is verified for accuracy. This module produces the final list of registered beneficiary households.
<b>Updates</b>	Gathers, validates, reports, and records the changes that have occurred on the status or condition of any member of the beneficiary household while under the program as well as all other relevant information that could change the eligibility of the household. This module has all the validation routines according to the rules established in the Operations Manual of 4Ps and it has different levels for checking veracity of the updates presented.
<b>Compliance Verification System (CVS)</b>	Serves as a monitoring system for verifying compliance of conditionalities, controlling payments to beneficiary households, and generating managerial reports and progress indicators. This module links payments of grants to compliance of conditionalities.
<b>Payments</b>	Controls and produces payments to beneficiaries based on reports of compliance and updated household information.
<b>Grievance Redress System (GRS)</b>	Captures, resolves, and analyzes grievances from beneficiaries and non-beneficiaries about the program. This module includes the process of filing and following-up on complaints such as generating forms for complaints, updating and processing the information, assigning a tracking number to every complaint as well as the person responsible for solving it, and producing reports of complaint resolution.

Source: Olfindo (2010)

To further improve the internal quality control and correction mechanisms in the 4Ps, the Department of Social Welfare Development conducts spot checks related to the execution of different processes, which can serve as the basis for a deeper analysis of the program operation at different levels and among the stakeholders involved. Beyond its technical merits, spot checks are a key to enhancing the governance, transparency, and accountability of the 4Ps as they validate the range of players involved in the program delivery. They can also deter fraud and corruption as regional offices fear being subjected to a spot check in the future. The spot check methodology includes interviews with 4Ps beneficiaries, parent leaders, the Municipal Links, health providers and school teachers, as well as review of health facility records and school attendance records. Furthermore, routine monitoring and Spot Checks are complemented by a National Independent Monitoring and Advisory Committee, comprising representatives from academia, private sector, religious sector, and civil society.

The information system for a health social assistance program usually covers membership verification, payment and complaint handling related to benefit eligibility. In Indonesia, Jamkesmas utilization data at the primary level of care is poorly recorded, with health centers often not fulfilling reporting requirements. At the hospital level, utilization data is stored at the Center for Health Financing Unit (P2JK) at the Ministry of Health since 2008. The unit was not prepared to handle this additional new responsibility; data is collected but is not analyzed or systematically used for monitoring purposes. To ensure program accountability, the Jamkesmas program uses a combination of internal and external audits. The MOH's Inspectorate General (IG) conducts regular internal audits to verify that funds are used according to program objectives. External audits are conducted by the State Audit Agency (BPKP) for the Jamkesmas program, and the Local Audit Agency or Bawasda for the local health insurance schemes (Jamkesda). These agencies audit all MOH units that manage the program funds, the Center for Health Financing and two other Directorate Generals at the Central level, Local Health Authorities, and all health service providers mostly to verify the use of funds and payment for services. Moreover, independent monitoring by civil society is increasing. The civil society organization Indonesian Corruption Watch (ICW) conducts regular reviews of program implementation, covering targeting accuracy, beneficiary

eligibility and verification, quality of services, as well as beneficiaries' satisfaction level<sup>25</sup>. Indonesian media also play an important role. Media coverage on health services for the poor and stories on medical cases that lead to household financial catastrophes have generated a significant public attention. This has become one of the ways for the public to learn about the Jamkesmas program and also, in general, the benefits of having universal health insurance.

In countries such as Vietnam where SSN programs are still at an earlier stage of development, there is no unified registry of beneficiaries for social assistance, and information is transmitted and stored mainly on paper. District social affairs divisions keep simple Excel files with beneficiary information but do not routinely transfer this data to province or central levels. Files are often not shared electronically and some electronic data is removed after a short period of computer storage, as personal records of beneficiaries are kept in paper forms at the Ministry of Labor, Invalids and Social Affairs' (MOLISA) local office. MOLISA has no real-time data on beneficiary numbers and actual spending. Files from the district level are transmitted to the province level with a significant lag, and data are not consolidated to create a unique dataset, missing an important opportunity for cross-checking of beneficiaries across districts and monitoring of the program at the national level. Responsibilities for monitoring and evaluation are divided among different levels within MOLISA, and branches, but there is no consistent and standardized procedure at the national level. Periodic supervision visits are organized at the province and district levels to oversee implementation and identify and address problems. Human resources are scarce and therefore the overall frequency of visits is quite low. More comprehensive monitoring by District staff takes place when they can afford the time, usually once a year. The visits generally assess performance based on proper processing of applications, inclusion of all potential beneficiaries, correct and on-time payments, and the existence of complaints. Monitoring visits tend to look at different issues across communes, there is no coherent monitoring and evaluation framework, or systematic evaluation of policy results.

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<sup>25</sup> Since 2008, ICW has released two reports of the Jamkesmas implementation review. The first report in 2009 highlights the inaccuracy of targeting beneficiaries, and cardholder's complaints of discrimination in service, complex administration requirements and extra payments, and not much has changed in the 2010 report.

***Key questions – Monitoring and Verification***

- How is information flow managed and updated? Is there an adequate system (MIS) that captures information that staff engage with at each stage of the program?
- Are corrective actions taken on the basis of information generated?
- To what extent are beneficiaries or third-parties involved in monitoring and verification?
- Is there a system of beneficiary/payment spot checks?
- Do staff face incentives/penalties to reduce Error, Fraud and Corruption?
- Is there a separation of functions between processing, payment and monitoring?

### ***3.5 Grievance redress***

Grievance redress systems (GRS) provide an important means of reducing EFC in Safety Net Programs. Designing a robust GRM reduces inclusion and exclusion errors, prevents fraud and collusion in benefit payments and provides beneficiaries and those who are eligible but excluded an opportunity for redress. Key features of an effective GRS are an information campaign that provides information to the public on the features/entitlement of the program and the GRS i.e. how to register a complaint; a dedicated staff/unit which logs in complaints and monitors resolutions within a time-bound period; and sanctions against those who break program rules. GRSs often include demand based approaches which allow third-parties or civil society to help monitor or expose problems in program implementation.

In ASEAN, practice varies considerable from countries such as the Philippines and Indonesia which have a vibrant civil society monitoring the programs to countries such as Vietnam where redress is through local governments and party representatives at the commune level. In the Philippines the 4Ps' GRS aims to capture, resolve, and analyze grievances about the program. The GRS design for 4Ps features a grievance database, which tracks the nature, origin, location and status of complaints such as targeting errors, payment irregularities, fraud, and corruption. The GRS developed an application currently being tested by the regions. The PMO has established a complaint reporting mechanisms, including Text Hotline using DSWD SMS platform, email, Facebook, Google Sites, and Twitter. In the first quarter of 2010, about 13,500 complaints were received and 83 percent of those were related to payments. Establishing these modern avenues for grievance submission is important, as they offer accessible, alternative channels to the standard means by which people complain, i.e., to

the village head or to the project facilitator, which in some cases could represent the subject of the complaint.

In Vietnam the first point of contact for people to place complaints related to social assistance is usually the neighborhood chief, but citizens can also address directly the Ward People Committee's social officer at public meetings, which are held on a regular basis. Complaints are usually resolved at the village level, with citizens applying to the village chief and party chief with their cases. Only if these cannot be resolved are they sent to the commune level, but this is not common<sup>26</sup>. Complaints are most frequently related to instances of unclear eligibility criteria, for example, regarding people with disabilities. While there are ways for people to place complaints, the current system does not provide a systematic channel for grievance redress. The feedback system for social assistance and other social programs in Vietnam relies on existing spaces for discussion that are rooted in the government's organizational structure, there are no alternative channels for beneficiaries to place complaints. Minutes of these meetings are taken and records of the hearings are kept. However, once this information is recorded, it does not appear to be consulted or tracked in any way and therefore cannot be used either to inform policy decisions, or to provide follow up of individual cases. Overall accountability is focused on upward reporting rather than horizontal or downward accountability.

In Indonesia, the Jamkesmas program guidelines only provide a generic description of how the GRS should be conducted which leads to variation in its implementation at the sub-national level. Health facilities in the network provide means for Jamkesmas members to place complaints, usually in the form of a complaint box. Complaints that cannot be resolved at the provider and district level are referred to the higher level or directly to the central Government. In addition to this hierarchical GRS described in the guidelines, the Center for Health Financing (P2JK) at the MOH has established an additional, more direct, mechanism using telephone and text messaging. Unfortunately, up to now there is no database of complaints/grievances to enable proper tracking and redress of complaints and systematic

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<sup>26</sup> A commune visited in Ha Giang, for instance, reported that only 2 cases regarding D67 had been taken to the commune level in the past.



analysis of the nature and type of complaints. The CHRI study found that GRM was poorly developed and most beneficiaries were unfamiliar with who and where to send complaints. Those that did complain resorted to travelling to district health offices to petition health officials or sent letters or text messages to local government. The major source of grievance was primarily exclusion (i.e. not receiving a health card) or not receiving adequate services from the hospital provider. Again many of the grievances stem from a lack of information about eligibility and program benefits.

In Cambodia, people can complain to the public works project committee, the cooperating partner or even provincial level authorities (PPMU), but no systematic grievance and redress system is in place. Interviewed beneficiaries reported interacting frequently with the Project Committee leader and the village chief, and not necessarily with higher authorities. In Cash for Work projects within the Emergency and Food Assistance Program (EFAP), a program phone number for complaints is shared at initial public meetings and posted at commune boards. Program officers reported that the monitoring mechanisms, involving three different levels, as well as reporting requirements of cooperating partners (donors) helped to reduce error. Independent monitoring from external parties such as NGOs would contribute to improve accountability.

***Key questions***

- Is there a dedicated Grievance Redress /complaints handling Mechanism?
- Is the GRS linked to the MIS?
- Are there dedicated staff to log complaints and track resolution of complaints?
- Are beneficiaries aware of how to register a complaint?
- If complaints are not handled in a timely fashion are there any sanctions?

## IV. Conclusions

The country contexts and the complexity and maturity of individual safety net programs we looked at differ greatly, and this is reflected in the range of issues that impact the effective delivery of programs, as well as in the awareness and interest in mitigating governance risks. Politics increasingly matters in SSN programs. In vibrant democracies with a free media such as the Philippines, the rapidly expanding CCT program is under increasing public scrutiny. Over the past couple of years, the government has responded by addressing governance challenges. Also largely driven by growing public scrutiny related to the scaling-up of various poverty targeted SSN programs, Indonesia is increasing efforts to understand governance challenges and improve the administration of SSN programs. In Vietnam and Cambodia governments are considering scaling up programs and strengthening the safety net system. Existing programs are small and, in the case of Cambodia, largely donor driven. An increase in coverage and in the scale of operations will require an assessment of whether the existing governance and administrative arrangements at all levels are sufficiently robust to handle the expansion.

Based on the case studies and the application of the framework presented in this paper, we make some final observations regarding the main governance challenges faced by safety net programs in ASEAN countries. These are meant to highlight some key elements which have emerged from our limited sample of programs, and are not prescriptive.

On the supply side, setting clear roles and responsibilities across levels of government and institutions involved in the delivery of benefits is a key ingredient for making accountability relationships work. The programs observed mostly operate in decentralized contexts, and stand at risk of overlapping institutional responsibilities and incentives across different government levels, with a corresponding diffusion of responsibilities. Moreover, in a context of coverage expansion and proliferation of new programs, the risk of creating increasingly complex systems characterized by cross-incentives is high. Lack of coordination across implementing institutions poses risks for program effectiveness and can also decrease accountability. At the individual program level, in several cases the “rules of the game” for

identifying and selecting beneficiaries are ambiguous and not implemented consistently. Clear and transparent rules of the game reduce opportunities to exercise discretion, and help build program credibility among beneficiaries and other stakeholders.

On the demand side, a key challenge in delivering non-contributory cash benefits is how to ensure that beneficiaries are aware of the program and are given a voice. Beneficiaries of social assistance programs tend to be poor and often suffer from exclusion. They are the least likely to have the voice and power to hold service providers accountable and all of this is true also in the cases we observed. On the positive side, in all the programs observed communities were at some stage involved in the program decisions. How to further strengthen this involvement in a transparent manner and how to provide appropriate avenues for beneficiaries to seek grievance redress remain a challenge. Finally, administrative capacity is likely to represent a constraint as governments seek to deliver increasingly complex programs to a growing number of beneficiaries over a wide geographically dispersed area. Large investments in investment capacity are unlikely, but it is possible to think about context appropriate solutions that can contribute to reduce governance risk.

Main Governance Challenges	
Supply side	Accountability and incentives in decentralized contexts Fragmentation of programs Possibility for discretion in application of program rules Inadequate monitoring and evaluation
Demand side	Beneficiaries tend to lack voice to influence providers/ policy-makers
Administrative systems	Administrative capacity constraints (collecting program information, etc.)

#### *4.1 Accountability and incentives in decentralized contexts*

**Program design has to take into consideration how best to shape incentives and strengthen accountability in a decentralized context.** Decentralization is a major issue in most ASEAN countries, where local governments are now in charge of delivering many

critical services, including social services. In some countries (Indonesia, Philippines) the decentralization process is far advanced, but in others it is more recent (Vietnam, Cambodia). In all cases, involving multiple actors in the delivery of a service or a product, can diffuse responsibility and result in a lack of accountability. It is important for program design to develop appropriate institutional incentives and ensure clear roles and responsibilities across government levels. In particular, when responsibilities for financing and implementation across government levels are separate, as is often the case for social assistance, ensure that providers are held accountable for program outcomes can be challenging from a governance perspective. Shifting responsibility for program implementation closer to citizens can, however, also help strengthen accountability. This is particularly true in the case of social service delivery because of its importance for the poor and vulnerable, who tend to suffer from greater exclusion.

#### *4.2 Fragmentation of programs*

**A focus on improving effectiveness of individual programs is not sufficient.** Expanding coverage and adding objectives to existing programs, as well as starting new programs, increases the risk of creating increasingly complex systems characterized by cross-incentives. Lack of coordination across implementing institutions poses risks for program effectiveness and can decrease accountability. The challenges of coordination are amplified when there are multiple funding sources for programs, as is often the case in lower income settings in which aid represents a large share of social spending (Cambodia and Lao for example). Programs should ideally be part of a well articulated and coordinated social protection system. Existing institutional and political economy circumstances will determine the best solution on a case-by-case basis, no “single model” exists. Some ASEAN members, such as the Philippines, have recently made significant efforts to improve institutional and policy convergence. The Government created an inter-agency National Social Welfare and Protection Cluster and charged it with consolidating over 60 existing programs led by various government agencies into a single national social welfare strategy with a view toward reallocating resources towards more effective programs.

### *4.3 Possibility for discretion in application of program rules*

**Socialization and communication strategies are essential to ensure access to eligible beneficiaries, particularly in the context of rapidly expanding programs or changes in program objectives and eligibility criteria.** Safety net programs target beneficiaries that tend to be among the most excluded members of society and low capacity at the commune level is a challenge. The communication and outreach strategies to inform potential beneficiaries of their rights and to seek people in need of social assistance are key in this context. Common forms of communication include community bulletins, verbal communication by local officers and village committees, TV/radio or a loudspeaker system. Nonetheless, it can be hard for certain groups to access information and in most cases a proactive approach is necessary. The most common reasons for exclusion include language and literacy barriers (particularly for minority groups), living in remote locations or lack of time to participate in public meetings. Particularly in a context where program rules tend to change frequently, or when significant program expansions are planned, greater communication and training efforts will be required to ensure that citizens are aware of their rights and able to voice their needs and concerns.

### *4.4 Voice*

**Community participation can play a very important role in strengthening accountability and guaranteeing program credibility among beneficiaries.** In all programs reviewed communities were at some stage involved in the selection of beneficiaries, or in validating initial selections by other means. Community involvement appears to pay off. Greater local participation at different stages of program implementation (beneficiary identification, project selection in public works, social audits, etc.) can increase beneficiaries' buy-in and understanding of the program and ability to hold providers accountable, which in turn improves outcomes. Involving communities and beneficiaries in general, is very important for program legitimacy. For example, a pilot study conducted in Indonesia comparing Proxy Means Test and Community Targeting in a cash transfer program showed that while the PMT method had the lowest mis-targeting rates, satisfaction and

community buy-in were higher for community targeting methods. Fewer complaints were reported, and village heads were more likely to consider the program appropriate.

#### *4.5 Administrative capacity constraints*

**Collecting and using program information to monitor implementation, and improve program administration to reduce governance risks is key.** In most countries there remains a strong need for better program monitoring and understanding of program effectiveness. MIS are not simple data “containers”, but a powerful tool to facilitate program oversight and accountability. Setting up an appropriate MIS should be a priority when designing new programs, but systems need not be high tech. Countries with weaker administrative capacity, for example, can start with more basic data collection tools, such as developing common formats for maintaining beneficiary records and storing them in ways that facilitate information sharing and tracking. Introducing more modern technologies helps to reduce errors and cost, and to improve the overall quality of the data. However, data collection methods, as well as the MIS itself, should initially be appropriate to country and program capacity and gradually develop more advanced systems.

**Administrative capacity and available technology at least partially shape the menu of options, but should not prevent countries from thinking about governance.** Where greater administrative capacity exists, program managers will have a broader set of tools available to improve governance. High workload combined with lack of administrative budgets and limited capacity of social officers, particularly at the lower levels of government, can constrain choices and affect program outcomes. Having more, well-paid, staff can reduce governance risks such as corruption and improve incentives for service delivery. The innovative use of technology, such as advanced management information systems, global position (GPS) tracking and the use of mobile phones for payments and grievance redress, or the modernization of payment mechanisms including through electronic payment to reduce EFC, can also mitigate governance risks. However, following governance principles can be as “simple” as ensuring separation of functions, documenting processes and functions in

operational manuals, providing beneficiaries with opportunities to voice concerns and addressing claims in a timely manner.

**Finally, it is important to keep in mind that programs evolve, and so do risks.** Programs are dynamic, particularly in the first years of implementation, as they adapt and evolve to existing conditions and constraints. The nature of governance risks at each stage of program implementation can therefore change over time and program managers should reassess periodically whether mitigation measures are appropriate. Process evaluation, monitoring of financial flows, tracking of complaints, and analysis of program results, if conducted regularly can provide a solid evidence base on which to base decisions to tweak programs in response to emerging risk and program weaknesses.

## V. Areas for Future Work

The work undertaken constitutes a first step in developing a governance agenda for social protection in the region. A lot remains to be done to consolidate experience, document evidence and deepen the engagement on multiple fronts, including both program and sector level analysis. This work has highlighted some questions and topics for further analysis of the governance agenda in SSN programs, which we summarize here as a means of maintaining the dialogue going forward.

***Consolidate experience.*** This report only looked at four case studies, but initial finding suggests that there is considerable room for cross-regional learning from successful experiences (i.e. Philippines). Additional efforts to document governance challenges and map existing innovative governance practices in ASEAN SSN programs are welcome. Further documentation of programs' challenges, failures and successes would be of use to program managers as countries consider how to build and expand their social protection systems.

***Document evidence.*** There is very little evidence and evaluation of what works in social protection governance, as well as of the cost-effectiveness of governance interventions themselves. A large agenda lies ahead, focusing on improving ways to measure governance

both for monitoring and evaluation of safety net programs themselves and for the evaluation of governance interventions. Two areas stand out in particular.

- i. Demand-side interventions in particular have received growing attention, but evidence on what works in practice – and in which contexts – remains limited. There are big issues of elite capture, access to information and channels for use of information, capacity, etc. At the same time, build evidence on the complementarities between demand and supply side interventions to make programs accountable. Efforts to strengthen beneficiary involvement for program monitoring must be met by Government support for results to be sustainable, in what should be a mutually reinforcing cycle.
- ii. Technology investments appear to have significant benefit. A number of programs use MIS systems linked to comprehensive IT based complaints handling systems. A systematic review and evaluation of the cost-effectiveness of these systems would be beneficial, as these can be costly investments.

***Deepen the engagement.*** It is increasingly clear that political economy cannot be underestimated, and that a deeper understanding of context-specific factors influencing program results, as well as the sustainability of programs, is needed in the region. Engaging think-tanks and researchers in the ASEAN region to develop this new frontier of research is important as governments face decisions to scale up existing programs and develop new ones.



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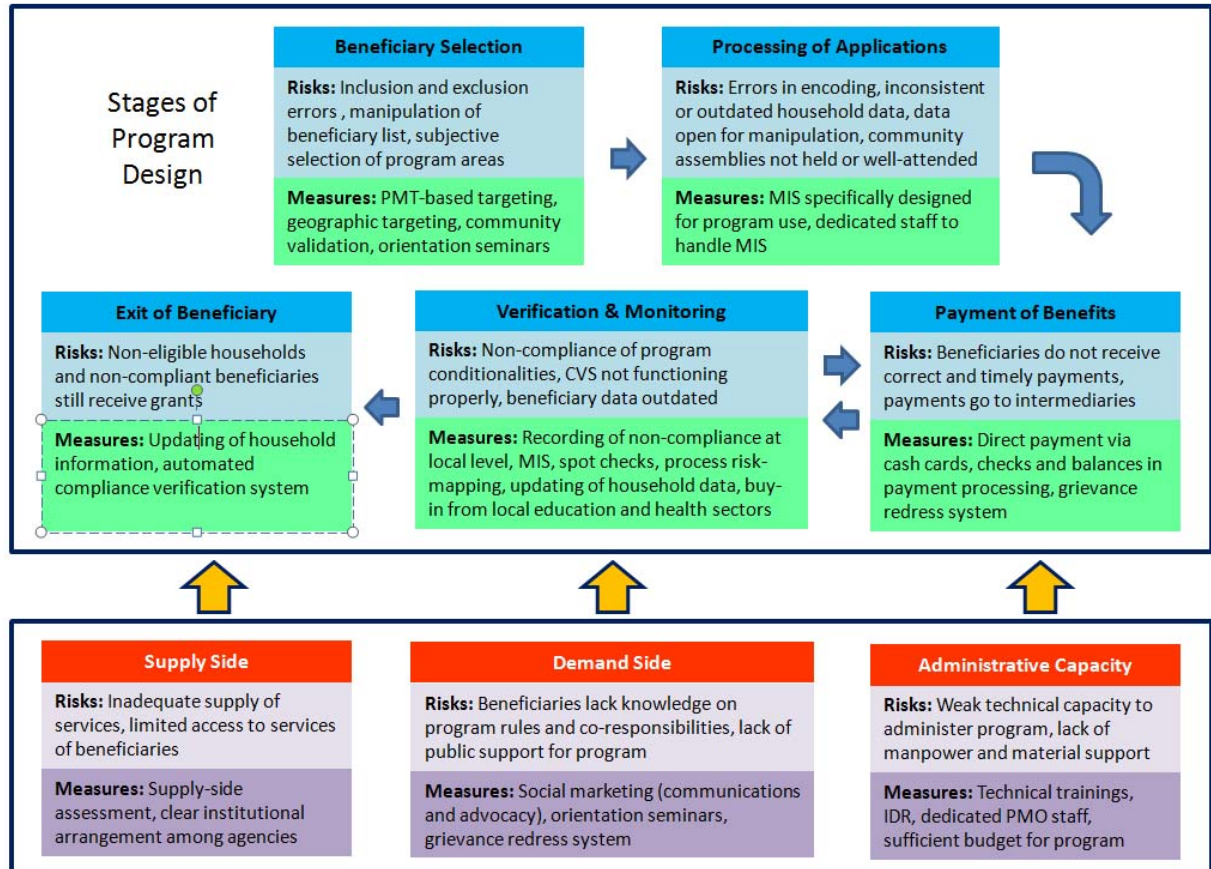
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## Annexes

### Annex 1: Philippines' 4P Governance approach

#### Governance Risks and Mitigating Measures in 4Ps Implementation



## Annex 2: Overview of diagnostic questions per stage of a SSN program

Stage of SSN program	Diagnostic questions
<b>Beneficiary selection</b>	<p>Are eligibility criteria easy to understand for program staff and beneficiaries?</p> <p>How easy are eligibility criteria to verify (for program staff) and comply with (for beneficiaries)?</p> <p>Are thorough eligibility checks carried out at the outset of the claim?</p> <p>What is the awareness among beneficiaries and communities of program rules (rights and obligations), eligibility criteria, and beneficiary lists?</p> <p>Do program staff, communities, and individuals receive training to understand program rules?</p>
<b>Processing of applications</b>	<p>Is there a separation of function or checks and balance between processing, payment and monitoring?</p> <p>Do monitoring and verification systems allow for checks and control throughout processing of claim?</p> <p>Do staff have adequate basic material support to perform their function?</p> <p>Is capacity sufficient given the number of processes staff control?</p> <p>Is that capacity commensurate with caseload?</p> <p>Does administrative capacity exist elsewhere that is currently not used in program?</p> <p>To what extent is administration of program budgeted for?</p> <p>Are program staff remunerated to administer the program?</p> <p>To what extent are staff incentivised to reduce EFC entering program?</p> <p>What type of training do staff receive to eliminate EFC in processing?</p> <p>Can processing of claims be automated?</p>
<b>Payment</b>	<p>Can payments be made directly to beneficiaries?</p> <p>Can the administration of financial flows be simplified?</p> <p>Does proper monitoring and accounting of cash flows take place?</p> <p>Are internal quality control processes in place including evaluation, feedback loops and correction mechanisms?</p> <p>Are controls in place to verify registered beneficiaries have received regular payment?</p> <p>Are payment providers properly supervised by responsible ministry?</p> <p>Are there independent feedback options for staff and beneficiaries (e.g. complaint lines)?</p>
<b>Verification and monitoring</b>	<p>Are incentives aligned with institutional responsibilities?</p> <p>Are incentives aligned with performance outcomes of the provision of services?</p> <p>Are there formal agreements for those involved in implementation (multi-tier government or service level agreements)</p> <p>Do these agreements specify performance levels and ways of recording performance?</p> <p>Can these agreements be enforced and are appeals possible?</p> <p>Is an adequate (captures key program information that staff engage with at each stage of program ) MIS system in use?</p> <p>Are MIS systems integrated?</p> <p>Are corrective actions taken on the basis of feedback and accountability systems?</p> <p>Is there involvement of third parties in providing oversight in financial management?</p> <p>To what extent are program outcomes communicated to beneficiaries and program staff?</p> <p>To what extent is outcome data benchmarked and communicated to beneficiaries and program staff?</p> <p>To what extent are beneficiaries or civil society involved in drawing up and verifying beneficiary lists, payments and overall monitoring and verification?</p> <p>Is their involvement free from interference from program staff or community leaders?</p> <p>Can beneficiaries and civil society hold service providers to account on beneficiary selection and payments?</p> <p>Does dedicated capacity exist for monitoring and verification (e.g. audit, monitoring, and fraud investigations)?</p> <p>Do communities and civil society have the knowledge and resources to support beneficiary selection and monitoring and verification?</p> <p>Does the involvement of particular actors in monitoring and verification compromise the participation or capacity-building of others?</p> <p>Can more capacity be allocated to data-matching processes?</p>
<b>Exit</b>	<p>Do monitoring and verification allow the program to identify the moment of exit of beneficiary?</p>

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**beneficiary****Cross-cutting**

*Is inter-institutional coordination effective in the core executive?*

*Does the core executive take ownership of the overall social safety net?*

*Does strategic planning on SSN provision take place in the core executive?*

*Does oversight independent of government and political influence exist?*

*Is inter-institutional coordination effective at sectoral level?*

*Does a sectoral champion exist for SSN programs?*

*Are different service providers coordinated at sectoral level?*

*To what extent are decisions taken on SSN programs subject to political interference?*

*Does strategic planning on SSN provision take place at sectoral level?*

*How consistent and sustainable is the SSN system?*

*How consistent and sustainable is the funding of the program and administration of the program?*

*Does sectoral audit capacity exist?*

*Is this audit capacity integrated or fragmented across the administration of the program?*

*How independent is sectoral audit? Is it subject to political influence?*

*Have responsibilities and lines of accountability been properly mapped out?*

*Are these responsibilities and lines of accountability well-documented (e.g. job descriptions and standard operating procedures)?*

*Are these responsibilities and lines of accountability widely known by all in the program?*

*Are these responsibilities and lines of accountability enforced?*

*Are there mechanisms to support accountability arrangements (e.g. complaints mechanisms and mutual accountability mechanisms)? Are accountability systems conflicting?*

*How complex is the administration of the program? Are there ways to eliminate stages or agency without compromising administrative capacity?*

*Does a civil service code or law exist?*

*Does the civil service award pay for performance and evaluate performance of civil servants?*

*Does the civil service incorporate clear guidance on malfeasance and how to address irregularities?*

*Does specific professional certification exist in the delivery of SSN programs?*

*Do adequate laws exist that deal with program irregularities?*

*Do adequate laws exist that apply to procurement in a SSN program?*

*Are these laws visibly applied in the SSN context?*

*Are sanctions embedded in program rules?*

*Are sanctions applied in cases of malfeasance?*

*Is the sanctions regime subject to political interference?*

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## Annex 3: Overview of Governance and Administrative Challenges and Responses

### Supply-side governance challenges in a SSN program

Governance challenge	Actions to be taken	Stakeholder involved	Remark
<b>Clarity of institutional responsibilities and accountability</b>	Macro-level: Encourage central coordination in the core executive of cross-sectoral responsibilities and programs  Encourage a strong and independent SAI to provide oversight in the program	Core executive	Inter-institutional coordination is a problem in many countries (LAC, OECD as well as EAP)  Main issues involve the lack of coordination between ministries, which can impact on government strategy in social protection, planning of social protection, lines of responsibility and budgeting of programs – many OECD countries use interministerial committees and steering groups to better coordinate provision  Strong oversight (mostly SAI) independent of government is common in the social protection regime any OECD country ( The US uses strong parliamentary oversight to monitor performance of Social Security Administration; Canada )
	Meso-level: Encourage the creation of a central coordinating body for all social protection programs  Encourage the creation of independent audit capacity in a program  Promote integrated accountability arrangements	Ministry and core executive	Inter-institutional coordination is also a problem at sectoral level.  Examples from LAC and EPA show that often a social protection system is not well-coordinated with competing programs managed in different ministries  Programs in many countries (see e.g. Bangladesh) show high turnover and lack of sustainability  Moreover, many bodies and agencies are involved in the implementation of programs, which can lead to absent or fragmented accountability  Most OECD countries manage and coordinate the social security systems through one dedicated body, a champion of the system and SSN programs (e.g. Centrelink in Australia, Service Canada, or the Social Security Administration in the US)  Strong sectoral audit capacity is desirable in providing oversight (internal audit and analysis divisions)  Most OECD countries operate under an integrated sectoral performance framework with outcome measures, which is agreed with the core executive (examples are the US, the UK , and Canada)
	Micro-level: Assign clear responsibilities and lines of accountability  Document the responsibilities and lines of accountability  Support the creation of a shared understanding between all involved in program  Promote the enforcement of responsibilities and lines of accountability  Support accountability mechanisms and promote integration of arrangements  Consider the division of responsibilities in a program or introduce checks and balance  Reduce the complexity of administration	Ministry, program staff, civil society, community, beneficiaries	All involved in implementing the program need to understand their responsibilities and lines of accountability (e.g. see LAC examples) – Brazil has developed tables listing each component of program operation and which agency is responsible for management and monitoring  Division of responsibilities between processing, payment and monitoring in OECD countries is a main way to limit error, fraud and corruption from occurring  Reducing the complexity of administration (less reliance on a large number of actors or a multi-tiered system) has proved effective in OECD countries to improve delivery – there may be a trade-off between reducing complexity and administrative capacity  Clear documentation of responsibilities (e.g. job descriptions) and the use of standard operating procedures in all countries are essential in creating a shared understanding of roles, responsibilities and obligations  As stated earlier, LAC examples show that the creation of shared understanding has to be supported by an effective



			<p>communication strategy and training</p> <p>LAC also shows the use of other mechanisms such as mutual accountability (allowing the beneficiary to hold service providers to account) in SSN program</p> <p>LAC also shows clear and simple eligibility requirements across the social protection are easier to implement for staff and easier to understand for beneficiaries; This point also speaks to the relationship between complexity and EFC</p>
<b>Lack of alignment of incentives to program implementation</b>	<p>Macro-level: Encourage the creation of standards commensurate with a professional modern meritocratic civil service</p>	Core executive	<p>A meritocratic professional civil service has been shown in OECD to promote service delivery.<sup>27</sup> Such a system consists among others of: transparency in appointment; performance-related pay; effective performance evaluation; an independent redress system</p> <p>Two main areas relevant to SSN programs stand out from the OECD experience: performance evaluation through results-based management (e.g. Canada) and adequate sanctions against those committing irregularities (disciplining staff has also shown to be effective in healthcare provision in the US); and professional certification (e.g. UK)</p>
	<p>Meso and micro-levels: Ensure that incentives are aligned with implementation</p> <p>Promote the creation and enforcement of formal agreements on performance levels and incentives between actors in implementation</p>	Ministry, program staff and potentially civil society	<p>Ensuring that incentives are aligned with implementation responsibilities is an integral aspect of how programs are structured. Examples from LAC show that in multi-tier systems some countries such as Brazil choose to award financial subsidies linked to quality of performance</p> <p>There is much evidence in the OECD about the importance of service level agreements and also about some perverse effects that some arrangements may have</p> <p>There is less evidence on what constitutes the optimal number of participants in a SSN program – OECD has tended towards simplification</p>
<b>Lack of information to adjust program</b>	<p>Meso and micro-levels: Ensure that adequate program information exist to monitor performance and alignment of incentives</p> <p>Encourage transparent sharing of program information between stakeholders</p>	Program staff	<p>Management information systems (MIS) are essential to see what problems exist in a program or where problems in accountability may exist – without MIS it is difficult to assess performance and align incentives to institutional responsibilities</p>
<b>Ensuring the rule of law</b>	<p>Macro-level: Ensuring that laws exist on the books that punish irregularities in SSN programs</p> <p>Ensuring the procurement law exists and is applied to large scale contracts</p>	Core executive	<p>Laws dealing with malfeasance and corruption are a legal bare minimum</p> <p>There is still debate about the role of institutions in reducing corruption<sup>28</sup></p> <p>Large-scale procurement is most likely to result in malfeasance (example of food stamps program in US)</p>
	<p>Meso and micro-levels: Ensuring that law is applied by incorporating national law in program rules</p> <p>Ensuring consistency between program rules and national law is</p>	Ministry	<p>Adequate sanctions can prove a powerful deterrence – all OECD countries continue to increase sanctions</p> <p>Prosecutions in OECD countries typically occur in high value and high profile cases – minor cases are dealt with through administrative penalty</p> <p>It is clear that any sanctions regime has to be seen to be</p>

<sup>27</sup> See for instance, the activities of OECD-SIGMA in East and Central Europe, [www.sigmaweb.org](http://www.sigmaweb.org) (accessed April 2010).

<sup>28</sup> The debate takes place between those who look at the effectiveness of particular initiatives to combat corruption (Huther and Shah 2000) and those that link corruption mitigation to wider institutional reform (e.g. democratisation and enforcing the rule of law) (Kaufman 1998)



	a prerequisite of program design		fair, transparent and consistent
<b>Ensuring proper financial management and accounting</b>	Meso-level	Ministry/financial institutions	<p>Making electronic payments direct to beneficiaries appears practice in most OECD countries and is an efficient and effective to stop leakages from occurring</p> <p>Eliminating the number of organizations, levels of government, and officials involved in handling money appears an effective way to reduce the opportunities of error and corruption</p> <p>Monitoring the process of cash flows in a system is a bare minimum to reduce the risk of leakages</p> <p>In Latin America, the importance of internal quality control has been shown to be an important weakness that needs to be addressed</p> <p>Basic verification of receipt of payment by registered beneficiaries</p> <p>Minimising the length of time payments stay in the accounts of payment bodies (e.g. post office and consolidating ministry and payment agency accounts were particular factors in reducing leakages (mostly corruption) in Kyrgyzstan</p> <p>Feedback functions such as complaint mechanisms, outlines, and independent appeals are in place in most all OECD countries, in the LAC region, and common throughout</p>
	Micro-level	Civil society	Third-party monitoring in payments has proved in some instances as in Latin America an effective way to monitor the program – there are no prescribed ways to do this

### Demand driven governance challenges in SSN programs

Stage of SSN	Governance challenge	Actions to be considered	Stakeholder involved	Remark
<b>Beneficiary selection</b>	Making information available to stakeholders	Making beneficiaries aware of eligibility criteria, program rules, and beneficiary lists	Communities and civil society	<p>Evidence in OECD countries and indeed in MICs and LICs shows that most all programs are moving to making more information available to the claimant</p> <p>Some OECD countries have moved to rights and obligations charters</p>
	Promoting social accountability	Bottom-up accountability mechanism	Civil society communities, and individuals	<p>Much evidence on the importance of building in social accountability mechanisms</p> <p>LAC examples show that social accountability mechanisms are a complement to top-down social accountability mechanisms – no clear prescription on which mechanism work best</p>
<b>Payment of benefits</b>	Promoting social accountability	Bottom-up accountability mechanism	Civil society communities, and individuals	Evidence from LAC shows a variety of payment mechanisms but the importance of continuous monitoring of the payment system
<b>Verification and monitoring</b>	Making information available to stakeholders	<p>Making beneficiaries aware of program outcomes</p> <p>Benchmarking with other regions or</p>	Communities and civil society	Evidence from LICs such as Uganda ( <b>Error! Reference source not found.</b> ) show that benchmarking and program outcome information can be a powerful driver for producing better program outcomes

		providers		
	Promoting social accountability	Bottom-up accountability mechanism	Civil society communities, and individuals	<p>Much evidence on the importance of building in social accountability mechanisms</p> <p>LAC examples show that social accountability mechanisms are a complement to top-down social accountability mechanisms – no clear prescription on which mechanism work best</p>
<b>Exit of beneficiary</b>	See points made under monitoring and verification			

## Administrative challenges in SSN programs

Stage of SSN	Administrative challenge	Actions to be considered	Stakeholder involved	Remark
<b>Beneficiary selection</b>	Lack of capacity in communities and civil society to support selection of beneficiaries in SSN from the bottom-up from the bottom-up	Involving civil society in social audit with known capacity	Communities and civil society	<p>Much evidence on the importance of building in social accountability mechanisms</p> <p>Anecdotal evidence from Bangladesh suggests that relying on civil society with known capacity may prevent communities from building up own capacity</p> <p>Evidence from LAC suggests that training is important to build up capacity. LAC examples also question to what extent civil society actors are held to account in SSN programs</p>
	Lack of knowledge about beneficiary selection in program staff and communities	Training of communities and program staff	Program staff, communities, and individuals	Evidence in CCTs suggest that training and communications strategies are of key importance in explaining the rules of a SSN program
<b>Processing of applications</b>	Poor quality of staff introduce errors in the processing of claims	Training of staff Results-based management	Program staff	<p>OECD evidence suggest that training is effective in dealing with staff error</p> <p>OECD evidence suggest that results-based management reduces error in processing</p>
	Low number of staff to implement program	Ring-fence part of the budget for administration Seek administrative capacity in other public sector agencies	Program staff and ministry	Evidence from Bangladesh and Kyrgyzstan suggest that administration is often not budgeted for or added on existing responsibilities of staff without reward
	Lack of knowledge about processing rules in program staff and communities	Training of communities and program staff	Program staff, communities, and individuals	Evidence in CCTs suggest that training and communications strategies are of key importance to explain the rules of the SSN program
	Low IT capacity	Providing additional resources to upgrade IT	Program staff and ministry	Evidence from OECD shows that increased IT capacity reduces the number of errors made in processing compared s with more staff-based processes
<b>Payment of benefits</b>	No inhouse capacity to pay benefits	Simplify payments to process them	Program staff and ministry	Reliance on others to pay benefits adds a degree of complexity to processing

<b>Verification and monitoring</b>		electronically		payments, which can compromise the integrity of the payment system Evidence from the OECD suggest that payment directly to the beneficiary reduces leakage
	Lack of knowledge about payment rules in program staff and communities	Training of communities and program staff	Program staff, communities, and individuals	Evidence in CCTs suggest that training and communications strategies are of key importance to explain the rules of a SSN program
	Low IT capacity	Providing additional resources to upgrade IT	Program staff and ministry	OECD evidence shows that data-matching is an extremely cost-effective way to verify eligibility information
	Low number of staff to investigate irregularities	Invest in investigative staff Invest in facilities and staff to handle complaints	Program staff and ministry	OECD evidence shows that investigators who follow a risk-based approach are extremely cost-effective LAC evidence shows importance of not over-auditing and following a risk-led approach - evaluation and audit can be expensive OECD evidence suggest that complaints systems are important and also a cost-effective way of investigating irregularities
	Lack of knowledge about monitoring and verification rules in program staff and communities	Training of communities and program staff	Program staff, communities, and individuals	Evidence in CCTs suggest that training and communications strategies are of key importance to explain the rules of the SSN program
	Lack of material support to undertake monitoring and verification	Ensure staff has basic support required to perform function	Program staff and ministry	Evidence from several middle income countries (e.g. Ukraine) suggests that providing staff with inadequate support (e.g. no reimbursement for travel or lack of transportation) has a significant effect on effectiveness
	Lack of capacity in communities and civil society to support verification and monitoring	Involving civil society in social audit with known capacity	Communities and civil society	Much evidence on the importance of using social accountability mechanisms in SSN programs Anecdotal evidence from Bangladesh suggests that relying on civil society with known capacity may prevent communities from building up own capacity Evidence from LAC suggests that training is important to build up capacity. LAC examples also question to what extent civil society actors are held to account LAC review further highlights that social accountability should be a complement to not a substitute for formal audits
<b>Exit of beneficiary</b>	See points made under monitoring and verification			

*Source: van Stolk, Christian, To strengthen the governance dimension of social safety net programs in the ASEAN region, prepared for the World Bank, April 2010*

## Acronyms

ASKESKIN	<i>Asuransi Kesehatan Masyarakat Miskin</i> (Social health insurance for the poor, Indonesia)
ASEAN	Association of South East Asian Nations
BAWASDA	<i>Badan Waspada Daerah</i> (Regional Audit Agency, Indonesia)
BPKP	<i>Badan Pemeriksaan Keuangan Pemerintah</i> (State Audit Agency)
CCT	Conditional Cash Transfer
CHRI	Center for Health Research Indonesia
CVS	Complaints and Verification System
DSWD	Department of Social Welfare and Development
EFC	Error, Fraud and Corruption
FFW	Food for Work
JAMKESDA	<i>Jaminan Kesehatan Daerah</i> (Regional health insurance scheme, Indonesia)
JAMAKESMAS	<i>Jaminan Kesehatan Masyarakat</i> (National health insurance scheme, Indonesia)
LBP	Land Bank of the Philippines
LIC	Low Income Country
GRS	Grievance Redress System
MIC	Middle Income Country
MIS	Management Information System
OECD	Organization for Economic Cooperation and Development
SSN	Social Safety Net
P4	Pantawid Pamilyang Pilipino Program, Philippines
PNPM	<i>Program Nasional Pembangunan Masyarakat</i> (National community empowerment program, Indonesia)
PUSKESMAS	<i>Pusat Kesehatan Masyarakat</i> (Community health clinic, Indonesia)
PWP	Public Works Program

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### **Abstract**

Several East Asian countries, in the aftermath of the global financial crisis, are considering an expansion of their social safety net programs. In many cases, existing delivery mechanisms for social assistance in the region tend to be basic, in line with the small size of programs. In a context of coverage expansion and proliferation of new programs, the risk of creating increasingly complex systems characterized by cross-incentives is high. Lack of coordination, ambiguous criteria for identifying and selecting beneficiaries, low administrative capacity, lack of transparency and limited beneficiary participation pose risks for program effectiveness and can decrease accountability. Good governance can improve program outcomes through effective program coordination, stronger accountability arrangements, provider incentives and greater transparency and participation. This paper proposes an analytical framework to systematically identify governance risks and constraints which, if removed, could improve the outcomes of modern social assistance programs.

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